



GREEN RETROFIT PROGRAM FOR MULTIFAMILY HOUSING

QUESTIONS AND ANSWERS ON USING GREEN RETROFIT FUNDS IN A MARK-TO-MARKET RESTRUCTURING

Owners who have a project that is currently undergoing restructuring in the Mark-to-Market (M2M) Program may apply for funds from the Green Retrofit Program (GRP). Owners may also apply for the GRP and then become eligible for the M2M Program. Both programs are administered by the Office of Affordable Housing Preservation (OAHP).

The GRP funding is a limited resource and HUD will use it sparingly. All available M2M Program options will be used first and then the GRP will be used only to the extent necessary to ensure long-term maintenance and preservation. In general, the GRP will be most applicable to projects that cannot complete necessary rehabilitation and be restructured using rents that are less than 120 percent of fair market rents. In such projects, the GRP funding could reduce the pressure on the rents and support the preservation of the project.

The following Questions and Answers are intended to assist owners, Participating Administrative Entities (PAEs), and OAHP staff in understanding how a M2M restructuring and GRP funding could be used together in a transaction.

1. Are prior M2M and Demo transactions eligible for GRP?

Answer: Yes, with the exception of M2M Green Initiative Transactions. Also see question 10.

2. Does the owner of an Eligible Project that is currently in the M2M Program have to apply to be considered for the Green Retrofit Program funding?

Answer: Yes. The same application requirements apply to all owners. However, that owner will have already met the requirement to submit three years' financial statements. In reviewing GRP applications, HUD staff will assume that the project undergoing a M2M restructuring has met that requirement.

3. Is there a preference in the Green Retrofit Program for the owner who is undergoing a M2M restructuring or is being referred to the M2M Program?

Answer: No. The GRP application from the M2M owner is treated in the same way as every other application received by HUD.



- 4. One of the GRP application requirements is the submission of the completed Initial Feasibility Assessment. If the project did not “pass” the assessment, can the owner submit an application with an explanation of “being referred to the M2M Program” or “currently undergoing a M2M restructuring” as an acceptable reason for passing the assessment?**

Answer: Yes.

- 5. What retrofits will be funded by each of the programs?**

Answer: Owners should look at the Green Retrofit Program as a source of additional funds for a M2M transaction. In that perspective, specific components must be identified for funding by each program. There will be two rehabilitation escrows; one for each program. The GRP will fund those Green Retrofits that cannot be funded in the M2M transaction.

- 6. Which type of Physical Condition Assessment gets ordered?**

Answer: Properties may enter the M2M Program before or after applying for the Green Retrofit Program. The PCA and other due diligence materials are interchangeable between the two programs. The path of entry for the project will determine which PCA is ordered and used in both transactions. If the property entered the M2M Program, then a Green Physical Condition Assessment will be ordered and used. If the property entered the GRP, then a Green Retrofit Physical Condition Assessment will be ordered and used.

- 7. Do the GRP Required and Optional Green Alternatives apply to the M2M transaction?**

Answer: Yes, when GRP and M2M are combined, the Required Alternatives are evaluated and recommended to the owner. Owners retain limited discretion to reject some alternatives and some items could be funded under either the M2M Program or the GRP. The Optional Alternatives are evaluated upon owner request and recommended to the owner if feasible. If the transaction was being processed in the M2M Program, and then GRP was evaluated afterwards, one or more of the Optional Alternatives may have already been evaluated by the PAE even without the owner’s specific indication of interest.

- 8. How can the requirements for tenant meetings in the two programs be coordinated?**

Answer: The second tenant meeting in the M2M Program will satisfy the tenant meeting required in the GRP.

- 9. What are the owner contribution requirements in a M2M transaction with GRP funding?**

Answer: The owner contribution requirements are addressed separately for each program. All M2M owners make a contribution based on traditional and



Green or Significant Additions in rehabilitation; those rules apply to rehab funded in the M2M portion of a combined M2M-GRP transactions. GRP owners generally do not make a contribution. GRP owners who have a Partially Assisted project or a Large Account Balance project are required to make a contribution.

- 10. A M2M debt restructure transaction may establish a Mortgage Restructuring Note and a Contingent Repayment Note that are paid from surplus cash. A GRP transaction may establish a Green Retrofit Loan, also paid from surplus cash. How will the surplus cash be distributed in a project that has both MRN-CRN and a GRL?**

Answer: The Green Retrofit Loan and mortgage would be subordinate in lien and payment position behind the MRN and CRN. When the MRN and CRN are satisfied, the surplus cash distribution provisions of the Green Retrofit Loan would apply.

- 11. In a combined M2M-GRP transaction, what would be the amount of the Incentive Performance Fee? Which set of IPF pre-conditions would be applicable?**

Answer: The M2M Green Initiative IPF and associated preconditions would be applicable initially. After the MRN-CRN were satisfied, the Green Retrofit IPF and associated preconditions would be applicable through the expiration date of the Green Retrofit Use Agreement.

- 12. Which legal documents will be required in a combined M2M-GRP transaction?**

Answer: Generally all the same M2M and GRP documents will be required. The transaction will, however, require only need one set of Green Owner Commitments and one Green Operating and Maintenance Plan. If the Green Retrofit Use Agreement expiration date is later than the M2M Use Agreement expiration date, the GRP requirements for Green Owner Commitments and Green O&M Plan will be applicable; otherwise, the M2M Green Initiative requirements will be applicable.

- 13. Will there be two rehabilitation escrow accounts established?**

Answer: Yes. The rehab funded in the M2M Program and the rehab funded in the GRP will be in separate rehab escrow accounts. Any excess funds or recaptured funds will be tracked separately by source.

- 14. What are the reporting requirements of a combined GRP/M2M transaction to the Office of Management and Budget (OMB)?**

Answer: The GRP portion of the transaction has all the reporting requirements required in the Housing Notice.



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- 15. After the M2M and GRP closings, the owner could have a Mortgage Restructuring Note and Contingent Repayment Note that are subject to the debt relief policy for Qualified Not-for-Profits and a Green Retrofit Loan that is not subject to that policy, correct?**

Answer: Yes. The debt relief provisions of the M2M Program do not apply to the Green Retrofit Loan.